Chief Albert Luthuli Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Local municipality
Municipal demarcation code	MP301
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance acitivites, which includes planning and promotion of intergrated development planning, land, economic and environmental development and supplying ofthe following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following: Housing Services - supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection,disposal and purifying of waste, refuse and sewerage: Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.
Executive Mayor	Shiba BP
Speaker	Nkosi SM
Chief Whip	Nkosi DP
Mayoral committee	Mngomezulu MW
	Mnisi NM
	Thabethe QG
Councillors	Cindi NR
	Dlulu ZM
	Hlatswayo MG
	Lubede EJ
	Maduna ME
	Makene J
	Makhubelo NV
	Malaza STQ
	Masuku BM
	Masuku LL
	Mbhele JS
	Mdluli NI
	Mhlanga PP
	Mkhabela EB
	Mngomezulu MW
	Mnisi N
	Mnisi NM
	Motaung RM
	Motha JT
	Motha TW
	Mthombeni SF
	Neethling ML
	Ngubeni A
	Nkabinde NJ
	Nkosi AD

General Information

	Nkosi DP Nkosi FE Nkosi GJ Nkosi JS Nkosi MH Nkosi MJ Nkosi NM Nkosi SJ Nkosi SM Nkosi SZ Nkosi VL Ntuli FJ Phakathi FDM Shabangu LD Shabangu VS Shiba BP Sikhakhane NB Simelani JD Soko JP Steenkamp ML Thabethe OG Thomo NG Vilakazi J Vilakazi RG Vilakazi VV Zulu TW Zwane TE
Grading of local authority	Grade 3
Capacity of local authority	Medium capacity
Accounting Officer	Mpila VN
Chief Finance Officer (CFO)	Nhlabathi MJ
Registered office	28 Kerk Street Carolina Mpumalanga 1185
Business address	28 Kerk Street Carolina Mpumalanga 1185
Postal address	Private Bag X719 Carolina 1185
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor General of South Africa

General Information

Attorneys	Guzana Attorneys Mcbeth Ncongwane Attorneys TMN Kgomo Attorneys

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

EPWP	Expanded Public Work Program
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
PAYE	Paye As You Earn
SALGA	South Africal Local Government Association
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report.

The annual financial statements set out on pages 64 to 146, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on by:

Accounting Officer
Mpila VN

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 number of meetings were held.

Name of member	Number of meetings attended
Tebogo Gafane (Chairperson)	4
Xolani Khumalo	3
Sanele Gumbi	2
Mmabatho Sepuru	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA .

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Audit Committee Report

Date: ________________________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is engaged in local governance acitivites, which includes planning and promotion of intergrated development planning, land, economic and environmental development and supplying ofthe following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following: Housing Services - supply housing to the community and includes the rental of units owend by the municipality to public and staff; Waste Management Services - The collection,disposal and purifying of waste, refuse and sewerage: Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 80,998,026 (2014: surplus R 57,494,155).

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 810,602,879.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
VN Mpila	South African

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	3,932,975	18,634,055
Receivables from exchange transactions	4	43,374,585	32,449,749
Receivables from non-exchange transactions	5	68,460,073	57,138,990
Inventories	6	2,243,825	2,577,294
Investments	7	3,085,281	2,910,486
VAT receivable	51	5,265,342	1,237,903
Operating lease asset	8	267,544	261,864
		126,629,625	**115,210,341**
Non-Current Assets			
Investments	7	288,645	270,963
Investment property	9	19,142,500	19,142,500
Property, plant and equipment	10	932,855,053	815,421,028
		952,286,198	**834,834,491**
Non-Current Assets		952,286,198	834,834,491
Current Assets		126,629,625	115,210,341
Total Assets		**1,078,915,823**	**950,044,832**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	188,847,087	117,930,691
Finance lease obligation	12	429,512	396,919
Unspent conditional grants and receipts	13	4,948,392	40,791,880
Provisions	14	9,618,785	9,035,187
		203,843,776	**168,154,677**
Non-Current Liabilities			
Finance lease obligation	12	956,850	228,789
Provisions	14	22,508,555	12,735,748
Employee benefit obligation	15	10,865,000	11,243,000
Long service award accrual	16	6,092,000	4,031,000
		40,422,405	**28,238,537**
Non-Current Liabilities		40,422,405	28,238,537
Current Liabilities		203,843,776	168,154,677
Total Liabilities		**244,266,181**	**196,393,214**
Assets		1,078,915,823	950,044,832
Liabilities		(244,266,181)	(196,393,214)
		834,649,642	**753,651,618**
Accumulated surplus		810,602,879	729,604,855
Reserves			
Revaluation reserve	17	24,046,763	24,046,763
Total Net Assets		**834,649,642**	**753,651,618**

* See Note 54 & 52

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	38,851,587	30,706,540
Rental income	20	820,797	784,644
Interest received - consumers	21	19,925,640	18,256,310
Interest received - investment	22	1,765,792	1,238,360
Licences and permits	23	2,336,519	2,307,245
Other income	24	965,539	1,805,693
Gain on disposal of assets	24	714,628	90,636
Total revenue from exchange transactions		**65,380,502**	**55,189,428**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	36,324,852	29,131,077
Transfer revenue			
Government grants and subsidies	26	341,138,488	293,361,741
Donations	27	9,153,570	13,809,529
Fines	28	1,937,741	495,161
Total revenue from non-exchange transactions		**388,554,651**	**336,797,508**
		65,380,502	55,189,428
		388,554,651	336,797,508
Total revenue	18	**453,935,153**	**391,986,936**
Expenditure			
Employee related costs	29	(117,131,453)	(105,908,750)
Remuneration of councillors	30	(14,112,693)	(13,349,653)
Depreciation	31	(36,929,976)	(35,951,157)
Rehabilitation costs	33	(3,275,313)	(4,966,802)
Finance costs	32	(14,855,160)	(761,712)
Debt impairment	34	(32,270,976)	(29,681,939)
Repairs and maintenance	35	(14,177,683)	(11,687,954)
Bulk purchases	36	(54,170,720)	(34,282,175)
Contracted services	37	(35,538,902)	(40,450,415)
General expenses	38	(50,527,417)	(57,837,466)
Total expenditure		**(372,990,293)**	**(334,878,023)**
		-	-
Total revenue		453,935,153	391,986,936
Total expenditure		(372,990,293)	(334,878,023)
Operating surplus		**80,944,860**	**57,108,913**
Fair value adjustments	39	53,164	208,562
Surplus before taxation		80,998,024	57,317,475
Taxation		-	-
Surplus for the year		**80,998,024**	**57,317,475**

* See Note 54 & 52

Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	24,046,763	708,257,404	732,304,167
Correction of errors (refer to note 53)	-	(35,970,024)	(35,970,024)
Balance at 01 July 2013 as previously reported	**24,046,763**	**672,287,380**	**696,334,143**
Changes in net assets			
Surplus for the year	-	57,317,475	57,317,475
Total changes	-	57,317,475	57,317,475
Restated* Balance at 01 July 2014	**24,046,763**	**729,604,853**	**753,651,616**
Changes in net assets			
Surplus for the year	-	80,998,026	80,998,026
Total changes	-	80,998,026	80,998,026
Balance at 30 June 2015	**24,046,763**	**810,602,879**	**834,649,642**

* See Note 54 & 52

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Service charges		20,665,300	5,329,600
Government grants and subsidies		305,295,000	332,767,797
Interest received - investments		1,765,792	1,238,360
Interest income - consumers		19,925,640	18,256,310
Other receipts		6,054,916	5,392,743
		353,706,648	362,984,810
Payments			
Employee related costs		(129,509,490)	(118,783,403)
Suppliers		(44,623,957)	(68,476,111)
Finance costs		(14,835,481)	(430,536)
Other payments		(35,538,902)	(40,450,415)
		(224,507,830)	(228,140,465)
Total receipts		353,706,648	362,984,810
Total payments		(224,507,830)	(228,140,465)
Net cash flows from operating activities	41	**129,198,818**	**134,844,345**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(145,730,126)	(115,526,501)
Proceeds from sale of property, plant and equipment	10	1,228,567	-
Movement in investments		(139,314)	(1,521,761)
Net cash flows from investing activities		**(144,640,873)**	**(117,048,262)**
Cash flows from financing activities			
Finance lease receipts/(payments)		740,975	(357,152)
Net increase/(decrease) in cash and cash equivalents		**(14,701,080)**	**17,438,931**
Cash and cash equivalents at the beginning of the year		18,634,055	1,195,124
Cash and cash equivalents at the end of the year	3	**3,932,975**	**18,634,055**

* See Note 54 & 52

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 51)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	40,334,139	(58,500)	**40,275,639**	38,851,587	**(1,424,052)**	51.1
Rental income	488,983	269,973	**758,956**	820,797	**61,841**	51.30
Interest received - consumers	17,689,768	-	**17,689,768**	19,925,640	**2,235,872**	51.2
Licence and permits	1,119,143	-	**1,119,143**	2,336,519	**1,217,376**	51.3
Other income	1,082,812	(290,985)	**791,827**	965,539	**173,712**	51.31
Gain on disposal of assets	-	-	**-**	714,628	**714,628**	
Interest received - investment	1,842,750	-	**1,842,750**	1,765,792	**(76,958)**	51.32
Total revenue from exchange transactions	**62,557,595**	**(79,512)**	**62,478,083**	**65,380,502**	**2,902,419**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	33,998,776	2,936,517	**36,935,293**	36,324,852	**(610,441)**	51.33
Transfer revenue						
Government grants and subsidies	199,712,350	191,332	**199,903,682**	341,138,488	**141,234,806**	51.5
Donations	-	-	**-**	9,153,570	**9,153,570**	51.6
Fines	205,000	68,090	**273,090**	1,937,741	**1,664,651**	51.7
Total revenue from non-exchange transactions	**233,916,126**	**3,195,939**	**237,112,065**	**388,554,651**	**151,442,586**	
'Total revenue from exchange transactions'	62,557,595	(79,512)	**62,478,083**	65,380,502	**2,902,419**	
'Total revenue from non-exchange transactions'	233,916,126	3,195,939	**237,112,065**	388,554,651	**151,442,586**	
Total revenue	**296,473,721**	**3,116,427**	**299,590,148**	**453,935,153**	**154,345,005**	
Expenditure						
Employee related costs	(101,827,823)	2,876,910	**(98,950,913)**	(117,131,453)	**(18,180,540)**	51.8
Remuneration of councillors	(15,493,566)	-	**(15,493,566)**	(14,112,693)	**1,380,873**	51.9
Depreciation and amortisation	(103,210,060)	-	**(103,210,060)**	(36,929,976)	**66,280,084**	51.10
Rehabilitation costs	-	-	**-**	(3,275,313)	**(3,275,313)**	51.11
Finance costs	-	-	**-**	(14,855,160)	**(14,855,160)**	51.12
Allowance for debt impairment	(13,541,161)	(14,667,110)	**(28,208,271)**	(32,270,976)	**(4,062,705)**	51.13
Repairs and maintenance	-	-	**-**	(14,177,683)	**(14,177,683)**	51.14
Bulk purchases	(53,460,614)	(114,680)	**(53,575,294)**	(54,170,720)	**(595,426)**	51.15
Contracted services	(24,096,000)	(3,414,000)	**(27,510,000)**	(35,538,902)	**(8,028,902)**	51.16
General expenses	(68,299,010)	12,295,617	**(56,003,393)**	(50,527,416)	**5,475,977**	51.17
Total expenditure	**(379,928,234)**	**(3,023,263)**	**(382,951,497)**	**(372,990,292)**	**9,961,205**	
	296,473,721	3,116,427	**299,590,148**	453,935,153	**154,345,005**	
	(379,928,234)	(3,023,263)	**(382,951,497)**	(372,990,292)	**9,961,205**	
Operating surplus	**(83,454,513)**	**93,164**	**(83,361,349)**	**80,944,861**	**164,306,210**	
Fair value adjustments	-	-	**-**	53,164	**53,164**	

Chief Albert Luthuli Local Municipality

(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 51)
	(83,454,513)	93,164	**(83,361,349)**	80,944,861	**164,306,210**	
	-	-	**-**	53,164	**53,164**	
Surplus/ (deficit) for the year	**(83,454,513)**	**93,164**	**(83,361,349)**	**80,998,025**	**164,359,374**	
Surplus / (deficit) for theyear	(83,454,513)	93,164	**(83,361,349)**	80,998,025	**164,359,374**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(83,454,513)**	**93,164**	**(83,361,349)**	**80,998,025**	**164,359,374**	

Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 51)
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	2,243,825	**2,243,825**	51.18
Investments	2,543,890	-	**2,543,890**	3,085,282	**541,392**	51.19
Operating lease asset	-	-	**-**	267,544	**267,544**	51.20
Receivables from non-exchange transactions	-	-	**-**	68,460,073	**68,460,073**	51.21
VAT receivable	-	-	**-**	5,265,342	**5,265,342**	
Receivables from exchange transactions	57,112,508	-	**57,112,508**	43,374,585	**(13,737,923)**	51.22
Cash and cash equivalents	18,302,026	(1,003,156)	**17,298,870**	3,932,975	**(13,365,895)**	51.23
	77,958,424	**(1,003,156)**	**76,955,268**	**126,629,626**	**49,674,358**	
Non-Current Assets						
Investment property	20,179,500	-	**20,179,500**	19,142,500	**(1,037,000)**	51.34
Property, plant and equipment	822,775,728	41,319,015	**864,094,743**	932,855,054	**68,760,311**	51.24
Investments	-	-	**-**	288,645	**288,645**	51.35
	842,955,228	**41,319,015**	**884,274,243**	**952,286,199**	**68,011,956**	
Non-Current Assets	77,958,424	(1,003,156)	**76,955,268**	126,629,626	**49,674,358**	
Current Assets	842,955,228	41,319,015	**884,274,243**	952,286,199	**68,011,956**	
Total Assets	**920,913,652**	**40,315,859**	**961,229,511**	**1,078,915,825**	**117,686,314**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	429,512	**429,512**	51.36
Payables from exchange transactions	30,744,712	-	**30,744,712**	188,847,088	**158,102,376**	51.25
Unspent conditional grants and receipts	-	-	**-**	4,948,392	**4,948,392**	51.27
Provisions	10,606,168	-	**10,606,168**	9,618,785	**(987,383)**	51.27
	41,350,880	**-**	**41,350,880**	**203,843,777**	**162,492,897**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	956,850	**956,850**	51.36
Employee benefit obligation	-	-	**-**	10,865,000	**10,865,000**	51.28
Provisions	-	-	**-**	22,508,555	**22,508,555**	
Long service award accrual	-	-	**-**	6,092,000	**6,092,000**	51.29
	-	**-**	**-**	**40,422,405**	**40,422,405**	
	41,350,880	-	**41,350,880**	203,843,777	**162,492,897**	
	-	-	**-**	40,422,405	**40,422,405**	
	-	-	**-**	-	**-**	
Total Liabilities	**41,350,880**	**-**	**41,350,880**	**244,266,182**	**202,915,302**	
Assets	920,913,652	40,315,859	**961,229,511**	1,078,915,825	**117,686,314**	
Liabilities	(41,350,880)	-	**(41,350,880)**	(244,266,182)	**(202,915,302)**	
	879,562,772	**40,315,859**	**919,878,631**	**834,649,643**	**(85,228,988)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 51)
Reserves						
Revaluation reserve	26,181,087	-	**26,181,087**	24,046,763	**(2,134,324)**	51.37
Accumulated surplus	853,381,685	40,315,859	**893,697,544**	817,603,762	**(76,093,782)**	51.38
Total Net Assets	**879,562,772**	**40,315,859**	**919,878,631**	**841,650,525**	**(78,228,106)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts or recoverable service amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows except where stated otherwise.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value every 4 years, refer to the notes to the financial statements on investment property.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investmen property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement properly, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	10 - 50 years
Community	10 - 50 years
Infrastructure	15 - 80 years
Landfill site	20 years
Other property, plant and equipment	2 - 35 years
• Vehicles	
• Furniture	
• Leased assets	

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate; unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.Such a difference is recognised in surplus or deficit when the item is derecognised.

Accounting Policies

1.4 Property, plant and equipment (continued)

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Accounting Policies

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabiliites initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

For fair value measurement recognised in the stateent of financial position, the municipality classifies the fair value measurements using a fair value hierachy that reflects the significance of the inputs used in making the measurement. the fair value hierachy has the following levels:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
b) inputs other than quoted prices included within Level 1 tha are observable for the asset or liablity, either directly (i.e as prices) or indirectly (i.e. derived from prices:
c) inputs for the asset orliability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierachy within which the fair value measureent is categirised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that requre significant adjustment based on unibservable inputs, that particula measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors to the asset or liability.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.6 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Accounting Policies

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets in the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate..

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.8 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Water is regared as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain,rivers, springs, boreholes etc.). However, water in water dams under the control of the municipality, that are filled by natural resources and that has not yet been treated, can not be measured reliably as there is no cost attached to the water, and is therefore not recognised as inventories.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

1.11 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises, because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.12 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Employee benefits (continued)

Long-term service awards

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is in current condition of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Accounting Policies

1.13 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards; and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy, but does not yet have a present obligation to pay that levy.

1.14 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of perations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

1.15 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (property rates for municipalities)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Collection charges and penalties

Collection charges and penalty interest arerecognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, 20% of the fines will not be revenue of the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:
- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:
- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator.

1.18 Service concession arrangements: Grantor (continued)

- is provided by the grantor (municipality) which:
  - is an existing asset of the municipality; or
  - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note for detail.

1.20 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ''allocation'' otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.24 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 42.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.26 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Budget information (continued)

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is set out in note 54 Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity (‘SPE’) may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called ‘autopilot’). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties (‘capital providers’) may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE’s activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE’s activities, even though it may own little or none of the SPE’s net assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction’. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that ‘a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

TIt is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,117	1,117
Bank balances	386,756	2,436,341
Call account	3,545,102	16,196,597
	3,932,975	**18,634,055**

The cash and cash equivalents have decreased during the year because the municipality had a balance of unspent grants of R40 791 880 as at 30 June 2014.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Figures in Rand	2015	2014

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Standard Bank - Current - 033-255-954	386,756	2,436,341	1,215,545	386,756	2,436,341	1,215,545
Sandard Bank - Investment - 038478668-002	486,497	253,745	19,026	486,497	253,745	19,026
Standard Bank - Investment - 308654552-001	3,058,605	15,942,852	122,270	3,058,605	15,942,852	122,270
Total	**3,931,858**	**18,632,938**	**1,356,841**	**3,931,858**	**18,632,938**	**1,356,841**

4. Receivables from exhange transactions

	2015	2014
Gross balances		
Water	12,613,468	9,580,962
Refuse	44,957,424	39,259,543
Sewerage	45,758,317	40,329,960
Electricity	19,971,217	15,862,090
Other	17,348,544	15,599,633
	140,648,970	**120,632,188**
Less: Allowance for impairment		
Water	(4,800,440)	(6,828,294)
Refuse	(33,803,316)	(29,083,818)
Sewerage	(34,192,993)	(29,816,236)
Electricity	(12,597,019)	(10,697,436)
Other	(11,880,617)	(11,756,653)
	(97,274,385)	**(88,182,437)**
Net balance		
Water	7,813,028	2,752,668
Refuse	11,154,108	10,175,724
Sewerage	11,565,324	10,513,724
Electricity	7,374,198	5,164,654
Other	5,467,927	3,842,979
	43,374,585	**32,449,749**
Electricity		
Current (0 -30 days)	3,191,559	1,201,280
31 - 60 days	429,839	644,794
61 - 90 days	262,038	436,732
> 90 days	16,087,780	13,579,285
Less : Allowance for impairment	(12,597,019)	(10,697,437)
	7,374,197	**5,164,654**
Water		
Current (0 -30 days)	405,205	334,289
31 - 60 days	331,981	357,187
61 - 90 days	308,641	254,916
> 90 days	11,567,641	8,732,353
Less : Allowance for impairment	(4,800,440)	(6,828,295)
	7,813,028	**2,752,668**

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Sewerage		
Current (0 -30 days)	612,527	668,918
31 - 60 days	572,094	595,151
61 - 90 days	547,461	549,373
> 90 days	44,026,235	38,516,518
Less : Allowance for impairment	(34,192,993)	(29,816,236)
	11,565,324	**10,513,724**
Refuse		
Current (0 -30 days)	609,869	604,791
31 - 60 days	577,476	548,491
61 - 90 days	554,374	516,191
> 90 days	43,215,705	37,590,070
Less : Allowance for impairment	(33,803,316)	(29,083,818)
	11,154,108	**10,175,725**
Other		
Current (0 -30 days)	352,880	99,147
31 - 60 days	301,694	96,659
61 - 90 days	177,807	87,583
> 90 days	16,516,163	15,316,245
Less : Allowance for impairment	(11,880,617)	(11,756,653)
	5,467,927	**3,842,981**

Consumer debtors pledged as security

None of the consumer receivables were pledged as security

None of the financial assets that are fully performing have been renegotiated in the prior year.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The municipality does not hold any collateral as security.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions in respect of government debtors are not considered to be impaired. At 30 June 2015, R 24,365,886 (2014: R 20,504,599) were past due but not impaired.

Receivables from exchange transactions impaired

As of 30 June 2015, receivables from exchange transactions of R 140,515,527 (2014: R 120,630,188) were impaired and provided for.

The amount of the allowance was R 97,274,385 as of 30 June 2015 (2014: R 88,182,437).

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Receivables from non exchange transactions

Property rates	250,240,965	218,507,104
Traffic fines	1,914,718	252,562
Trade debtors	717,335	-
Staff debtors	4,138	-
Less: Allowance for impairment	(184,417,083)	(161,620,676)
	68,460,073	**57,138,990**

Gross balance		
Property rates	250,240,965	218,507,104
Staff debtors	4,138	-
Traffic fines	1,914,718	252,562
Trade debtors	717,335	-
	252,877,156	**218,759,666**

Less: Allowance for impairment		
Property rates	(183,170,467)	(161,620,676)
Staff debtors	-	-
Traffic fines	(1,246,617)	-
	(184,417,084)	**(161,620,676)**

Net balance		
Property rates	67,070,499	56,886,427
Traffic fines	668,101	252,562
Staff debtors	4,138	-
Trade debtors	717,335	-
	68,460,073	**57,138,989**

Property Rates		
Current (0-30 days)	3,585,471	3,445,133
31 - 60 days	3,504,460	3,302,995
61 - 90 days	3,401,669	3,182,286
> 90 days	239,749,366	208,576,690
Less: Allowance for impairment	(183,170,467)	(161,620,676)
	67,070,499	**56,886,428**

Staff Debtors		
> 90 days	4,138	-

Trade debtors		
Current (0-30 days)	717,335	-

Traffic fines		
Current (0-30 days)	23,386	23,207
31 - 60 days	118,441	26,650
61 - 90 days	184,102	22,443
> 90 days	1,588,789	180,260
Less: Allowance for impairment	(1,246,617)	-
	668,101	**252,560**

Total		
Current (0-30 days)	4,326,192	3,469,340
31 - 60 days	3,622,901	3,329,646

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Receivables from non exchange transactions (continued)

61 - 90 days	3,585,771	3,204,729
> 90 days	241,342,293	208,756,950
Less: Allowance for impairment	(184,417,084)	(161,620,676)
	68,460,073	**57,139,989**

Receivables from non exchange transactions pledged as security

None of the receivables were pledged as security

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The municipality does not hold any collateral as security.

Summary of receivables by customer classification for receivables from exchange and non-exchange

Consumers		
Current (0 - 30 days)	4,648,084	3,887,941
30 -60 days	4,060,060	3,686,848
61 - 90 days	3,963,526	3,481,419
>90 days	320,831,606	277,796,898
Less: Allowance for impairment	(255,738,708)	(225,719,683)
	77,764,568	**63,133,423**
Industrial / Commercial		
Current (0-30 days)	997,228	1,150,066
31 - 60 days	957,725	807,819
61 - 90 days	78,882	779,251
> 90 days	31,057,512	28,055,446
Less: Allowance for impairment	(25,952,761)	(24,083,433)
	7,138,586	**6,709,149**
National and provincial government		
Current (0-30 days)	3,135,585	605,186
31 - 60 days	818,201	404,800
61 - 90 days	683,685	399,042
> 90 days	20,821,806	18,337,136
	25,459,277	**19,746,164**
Total		
Current (0-30 days)	8,780,896	5,643,194
31 - 60 days	5,835,985	4,899,467

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Receivables from non exchange transactions (continued)

61 - 90 days	5,436,093	4,659,712
> 90 days	372,710,924	324,189,479
Less: Allowance for impairment	(281,691,469)	(249,803,113)
	111,072,429	**89,588,739**

Reconcilation of allowance for impairment

Balance at beginning of the year	(249,803,113)	(232,494,414)
Contributions to provision	(31,888,356)	(17,308,699)
	(281,691,469)	**(249,803,113)**

Receivables from non exchange transactions impaired

As of 30 June 2015, receivables from non-exchange transactions of R 281,691,469 (2014: R 218,507,104) were impaired and provided for.

The amount of the allowance for impairment was R 184,417,084 as of 30 June 2015 (2014: R 161,620,676).

6. Inventories

Consumables	2,137,890	2,487,622
Water	105,935	89,672
	2,243,825	**2,577,294**

6.1 Reconciliation of inventory movement

Opening balance	2,577,294	1,715,111
Purchases	786,701	862,183
Utilised	(1,120,171)	-
Closing Balance	**2,243,824**	**2,577,294**

Inventory pledged as security

At year-end no inventory has been pledged as security.

7. Investments

Designated At amortised cost

RMB Momentum - Account number RU 500434741 End date indefinite	207,467	194,572
Sanlam: Guarantee Capital Fund - Policy number 9921774X7 End date: cover at death	81,178	76,391
Stanlib classic investment plan - Account number IP0006247 End date indefinite	501,487	477,907
Stanlib extra income fund - account number IP0006247 End date indefinite	1,705,321	1,614,884
	2,495,453	**2,363,754**

Listed investments at fair value

Listed shares	878,474	817,694
	2,495,453	2,363,754
	878,474	817,694
	-	-
Total other financial assets	**3,373,927**	**3,181,448**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

7. Investments (continued)

Non-current assets		
At amoritised cost	288,645	270,963
Current assets		
At amoritised cost	2,206,807	2,092,792
Listed investment at fair value	878,474	817,694
	3,085,281	**2,910,486**
Non-current assets	288,645	270,963
Current assets	3,085,281	2,910,486
	3,373,926	**3,181,449**

Financial assets at fair value

Fair value information

The following classes of financial assets are carried at fair value:
- Listed shares

The municipality owns 13 242 shares in Sanlam Limited which was trading at R66.34 (2014 : R 61.75) per share at each reporting period.

None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality has not reclassified any financial assets from cost or amoritised cost to fair value, or from fair value to cost or amoritised cost during the current or prior year.

Credit quality of investments

The credit quality of financial assets are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

8. Operating lease asset

Operating lease asset		
Straight lining of operating lease	267,545	261,864

Operating lease asset represent rentals receivable by municipality for premise/properties rented out. The lease was negotiated for periods ranging from 36 months to 119 months. The rentals escalate on average between 5% and 10% per annum.

Operating lease as lessor		
Within one year	146,183	280,245
In the second to fifth year	121,362	209,640
	267,545	**489,885**

9. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Industrial and residential units	19,142,500	-	19,142,500	19,142,500	-	19,142,500

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

9. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Total
Industrial and residential units	19,142,500	19,142,500

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

9. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Transfers	Total
Industrial and residential units	18,345,000	797,500	19,142,500

Pledged as security

At year end no investment property has been as security.

Details of property

Investment properties mainly consists of industrial and residential units.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2012. The first supplementary was implemented on 1 May 2013. Interim valuations are processed on a quartely basis to take into account the chages in individual property values due to alterations. The valuations were performed by an independent valuer, Sechele Property Developers and Valuers are not connected to the municipality. This valuation was based on the market value for existing use.

Interim valuations were performed during the current financial year.

Amounts recognised in surplus and deficit for the year.

	2015	2014
Rental revenue from investment property	718,940	575,379

10. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	54,662,500	-	54,662,500	54,662,500	-	54,662,500
Buildings	17,149,909	(3,600,619)	13,549,290	17,149,909	(2,936,589)	14,213,320
Community	37,660,478	(9,377,864)	28,282,614	25,904,160	(7,496,977)	18,407,183
Infrastructure	1,122,954,033	(515,156,393)	607,797,640	1,061,083,352	(483,260,724)	577,822,628
Infrastructure work in progress	202,851,409	-	202,851,409	125,117,206	-	125,117,206
Landfill site	14,549,560	(2,679,402)	11,870,158	14,195,693	(1,598,056)	12,597,637
Other property, plant and equipment	21,499,013	(7,657,571)	13,841,442	20,540,789	(7,940,235)	12,600,554
Total	**1,471,326,902**	**(538,471,849)**	**932,855,053**	**1,318,653,609**	**(503,232,581)**	**815,421,028**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	54,662,500	-	-	-	-	-	-	54,662,500
Buildings	14,213,320	-	-	-	-	(664,030)	-	13,549,290
Community	18,407,184	1,500,000	-	10,256,317	-	(1,760,004)	(120,883)	28,282,614
Infrastructure	577,822,628	6,575,722	-	55,294,959	-	(31,895,669)	-	607,797,640
Infrastructure work in progress	125,117,206	143,285,479	-	(65,551,276)	-	-	-	202,851,409
Landfill site	12,597,636	-	-	-	-	(727,478)	-	11,870,158
Other property, plant and equipment	12,600,554	3,522,495	(513,939)	-	27,365	(833,478)	(961,555)	13,841,442
	815,421,028	**154,883,696**	**(513,939)**	**-**	**27,365**	**(35,880,659)**	**(1,082,438)**	**932,855,053**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	55,460,000	-	(797,500)	-	-	54,662,500
Buildings	14,877,349	-	-	(664,029)	-	14,213,320
Community	17,474,573	2,431,670	-	(1,499,059)	-	18,407,184
Infrastructure	501,796,520	9,356,380	95,356,210	(28,686,482)	-	577,822,628
Infrastructure work in progress	103,024,008	117,449,408	(95,356,210)	-	-	125,117,206
Landfill site	13,325,114	-	-	(727,478)	-	12,597,636
Other property, plant and equipment	15,160,593	98,572	-	(608,781)	(2,049,830)	12,600,554
	721,118,157	**129,336,030**	**(797,500)**	**(60,885,989)**	**(2,049,830)**	**815,421,028**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Property, plant and equipment (continued)

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Revaluations
The effective date of the revaluations of land was 30 June 2012. Revaluations were performed by an independent valuer, Sechele Property Developers and Valuers. Sechele Property Developers and Valuers are not connected to the municipality.

These assumptions were based on current market conditions

Sale of assets:
A decision was made by the municipality to sell land with a carrying amount of R2 380 000.

The land was advertised as for sale on 10 February 2015 and there are currently no further approvals required for the sale to take place. The municpality expects the transfer of land to be finalised within 12 months.

Assets subject to finance lease (Net carrying amount)

	2015	2014
IT equipment	1,420,400	255,849

Details of property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Payables from exchange transactions

	2015	2014
1% social responsibility	5,372,839	4,067,286
Accrual - thirteenth cheque	2,414,736	2,258,299
Consumer deposits	564,414	560,750
Retentions	15,827,078	12,619,659
Other payables	1,092,289	161,029
Trade payables	136,044,287	76,680,632
Income received in advance	15,017,053	15,405,013
Unallocated deposits	1,127,752	995,431
VAT payable	5,500,614	2,571,880
Closure cost liability	5,886,025	2,610,712
	188,847,087	**117,930,691**

Consumer deposits:
Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held

12. Finance lease obligation

	2015	2014
Minimum lease payments due		
- within one year	539,844	622,331
- in second to fifth year inclusive	1,049,027	155,712
- later than five years	-	16,298
	1,588,871	794,341
less: future finance charges	(202,509)	(168,633)
Present value of minimum lease payments	**1,386,362**	**625,708**
Present value of minimum lease payments due		
- within one year	429,512	496,390

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Provisions (continued)

- in second to fifth year inclusive	956,850	113,963
- later than five years	-	15,355
	1,386,362	**625,708**

Non-current liabilities	956,850	228,789
Current liabilities	429,512	396,919
	1,386,362	**625,708**

The average lease term is 3 years and the average effective borrowing rate is 9%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

Refer to note 10 for the carrying value of assets held under a finance lease.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Arts and Culture	199,666	199,666
Department of Local Government	228,831	228,831
Expanded Public Work Program	-	34,019
Finance management grant	366,219	-
LG SETA Grants	13,505	13,505
Municipal Infrasture Grant	4,140,171	40,315,859
	4,948,392	**40,791,880**

Movement during the year

Balance at the beginning of the year	40,791,880	1,385,824
Additions during the year	137,446,000	163,402,394
Income recognised during the year	(151,318,488)	(123,996,338)
Unspent conditional grant for 2013/14 not approved	(21,971,000)	-
	4,948,392	**40,791,880**

Current liabilities	4,948,392	40,791,881

Financial management grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,233,781)	(1,550,000)
	366,219	**-**

The grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Expanded Public Work Program		
Balance unspent at the beginning of the year	34,019	34,019
Current year receipts	4,105,000	3,785,000
Conditions met - transferred to revenue	(4,139,019)	(3,785,000)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

13. Unspent conditional grants and receipts (continued)

	-	**34,019**

The grant is intended to fund bulk, connector and internal infrastructure of water services at a basic level of service.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Local Government		
Balance unspent at the beginning of the year	228,832	228,832

The grant is intended for the construction of the ring in Silobela which by the funded by the department of Local government and Traditional Affairs

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Water Affairs		
Balance unspent at the beginning of the year	-	354,473
Current year receipts	15,000,000	12,260,000
Conditions met - transferred to revenue	(15,000,000)	(12,614,473)
	-	**-**

The grant is intended to fund bulk, connector and internal infrastructure of water services at a basic level of service.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Arts and Culture		
Balance unspent at the beginning of the year	199,666	199,666

The grant is intended to improve the social economic situation

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Energy		
Balance unspent at the beginning of the year	-	568,835
Current year receipts	10,400,000	10,500,000
Conditions met - transferred to revenue	(10,400,000)	(11,068,835)
	-	**-**

The grant is intended to fund Energy efficient lighting technologies in municipal building, street and traffic lighting infrastructure.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Municipal Infrastrasture Grant		
Balance unspent at the beginning of the year	40,315,859	-
Current year receipts	105,407,000	134,257,000
Conditions met - transferred to revenue	(119,611,688)	(93,941,141)
Unspent conditional grant for 2013/14 not approved	(21,971,000)	-
	4,140,171	**40,315,859**

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households,micro enterprises and social institutions serviceing poor communities.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

13. Unspent conditional grants and receipts (continued)

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

LG SETA Grants

	2015	2014
Balance unspent at the beginning of the year	13,505	-
Current year receipts	-	160,394
Conditions met - transferred to revenue	-	(146,889)
	13,505	**13,505**

The grant is intended for sending the staff of municipality for training by the corporate service.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Gert Sibande District Municipality

	2015	2014
Balance unspent at the beginning of the year	-	-
Current year receipts	850,000	-
Conditions met - transferred to revenue	(850,000)	-
	-	**-**

The grant is intended to fund the project of the Ekulindeni stadium fencing.

Municipal system improvement grant

	2015	2014
Current year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	**-**

The grant intended to assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

14. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Provision for rehabilitation	12,735,748	9,772,807	-	22,508,555
Legal proceedings	225,487	319,254	(225,487)	319,254
Leave	8,809,700	489,831	-	9,299,531
	21,770,935	**10,581,892**	**(225,487)**	**32,127,340**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Provision for rehabilitation	4,992,503	8,123,814	(380,569)	12,735,748
Legal proceedings	30,000	225,487	(30,000)	225,487
Leave	7,031,896	1,777,804	-	8,809,700

Notes to the Annual Financial Statements

Figures in Rand			2015	2014

14. Provisions (continued)

	12,054,399	**10,127,105**	**(410,569)**	**21,770,935**

	2015	2014
Non-current liabilities	22,508,555	12,735,748
Current liabilities	9,618,785	9,035,187
	32,127,340	**21,770,935**

Provision for rehabilitation

The municipality engages in waste disposal operations from residential and business areas within the following area:
- Elukwatini landfill
- Badplaas landfill
- Carolina landfill
- Empuluzi landfill

it is required from the entity to execute an environmental management program to restore the landfill sites after its useful life.

The Elukwatini waste disposal facility is permitted and its classification is G:C:B - where "G" classification refers tothe type of waste that may be received at the site, which in this case is "general waste".

From the available information, it was assumed that the Badplaas disposal facility was in operation as a dumping site,but consequently after the licencing process, received a licence to construct and operate a Transfer Station. The transfer station licence classifies the site as G:C:B.

The Empuluzi and Carolina sites are unlicenced, but the municipality has indicated that both are in the process of being licenced and the sites are classified as G:C:B.

The amount of materials required to construct the new capping design for the sites has increased significantly and this has caused the 30 June 2015 estimate to be significantly higher than the 30 June 2014. Along with this, the site supervision will need to increase during construction for quality assurance.

The previous estimates based on MR2 did not reqire leachate management as the sites are B-,but since they have not been constructed, provision must be made to install a leachate collection tank along with a drainage system, consisting of a stone-filled trench containng a geo-pipe along the toe of the waste body to drain to the tank if any leachate seeps from the waste body.

Provision was made to stall water monitoring boreholes at the facilities where these do not occur.
- Pre closure costs
- Rehabilitation and closure costs
- Post-closure monitoring and maintenance costs (aftercare).

Provision for legal proceedings

Machado Engineering and Projects CC - claim against the municipality for monies that are due to Machado Engineering Projects CC for services that they rendered to the municipalit amounting to R171 219.
Sifiso Hlatshwayo - claim agaist the municipality for damages to motor vehicles amounting to R 148 035

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Medical scheme arrangements
The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution rate structure
Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy arrangements
There were no in-service members who are eligible for the post-retirement benefit.

The pensioners that are currently receiving a PRMA benefit do not match the SALGA policy in terms of the subsidy percentage. Therefore, it was decided that the current pensioners will be valued based on the actual subsidy that they are currently receiving, which is either a 70% or 100% subsidy of their total monthly medical aid contribution, based on the data provided. In addition, the subsidy payable is not limited to a maximum for pensioners.

The amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(10,865,000)	(11,243,000)

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
Opening balance	11,243,000	10,988,000
Service cost	14,000	40,000
Interest cost	974,000	842,000
Benefits paid	(703,413)	(698,745)
Actuarial (gains) losses	(662,587)	71,745
	10,865,000	**11,243,000**

Net expense of the defined benefit obligation recognised in the statement of financial performance

	2015	2014
Current service cost	14,000	40,000
Interest cost	974,000	842,000
Actuarial (gains) losses	(662,857)	71,745
	325,143	**953,745**

Key assumptions used

Assumptions used at the reporting date:

Real discount rate	Yield curve	8.94 %
Consumer price inflation	Difference between nominal and yield curves	7.05 %
Expected increase in salaries		- %
Net effective discount rate	Yield curve based	0.82 %
Medical aid contribution inflation	CPI+1%	8.05 %

15. Employee benefit obligations (continued)

Discount Rate
GRAP 25 defines the determination of the discount rate assumption to be used as the rate that can be determined by reference to market yields at the financial position date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at financial position date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

We used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability.

Medical Aid Inflation
The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.
South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Mortality rates
Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and dependants
We assumed that the marital status of members who are currently married will remain the same up to retirement. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Other assumptions

The increase of 1% p.a. change in the medical aid inflation assuption is as follow:	One percentage point increase	Current valuation percentage	One percentage point decrease
Defined benefit obligation	9,948,000	10,865,000	11,913,000
Interest cost	876,000	960,000	1,056,000
Service cost	-	-	3,000
	10,824,000	**11,825,000**	**12,972,000**

The service cost in the above table represents the increase in the liability due to the additional years of service accrued by the active members. For the base cost, where the assumption is made that the "gap" ("real discount rate") was 1 %, it is projected that service cost of R51 841 will be incurred. It should be noted that pensioners are not included in this figure since they do not accrue any extra years of service.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The amounts for the current annual reporting period and previous three reporting periods:

	2015	**2014**	**2013**	**2012**
Present value of obligation	10,865,000	11,243,000	10,988,000	10,606,168

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Long service award liability

As per government gazette an employee shall qualify for long service rewards in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:

- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted on the date on which an employee qualified or at any stage thereafter.

Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

Valuation of assets
The long service leave award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.

	2015	2014
Valuation of assets		
Carrying value		
Present value	6,092,000	4,031,000

	2015	2014
Changes in present value		
Opening balance	4,031,000	3,811,000
Current service cost	513,000	503,000
Interest cost	327,000	292,000
Benefits paid	(266,309)	(224,701)
Actuarial loss/(gain)	1,487,309	(350,299)
	6,092,000	**4,031,000**

	2015	2014
Net expense recognised in the statement of financial performance		
Current service cost	513,000	503,000
Interest cost	327,000	292,000
Actuarial loss/(gain)	1,487,309	(350,299)
	2,327,309	**444,701**

Key assumptions		
Discount rate	Yield curve	7.96
Consumer price inflation	Difference between nominal and yield curve	6.33 %
Salary increase rate	Equal to CPI + 1%	7.33 %
Net effective discount rate	Yield curve based	0.59 %

The effect of 1% p.a. change in the normal salary inflation assumption is as follow:	One percentage point increase	Current valuation percentage	One percentage point decrease
Total accrued liability	5,652,000	6,092,000	6,584,000
Current service cost	608,000	669,000	738,000
Interest cost	533,000	576,000	624,000

Notes to the Annual Financial Statements

Figures in Rand		2015	2014
16. Long service award liability (continued)			
	6,793,000	**7,337,000**	**7,946,000**

The cost of the long service awards is dependant on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The amounts for the current annual reporting period and previous reporting period:

Present value of obligation	6,092,000	4,031,000

17. Revaluation reserve

Valuations on land and buildings are perfomed every four years. The last general valuation came into effect on 1 July 2012. Revaluations were performed by an independant valuer, Sechele Property Developers and Valuers. Sechele Property Developers and Valuers are not connected to the municipality.

The assumptions were based on current market conditions.

Opening balance	24,046,763	24,046,763

18. Revenue

Donations	9,153,570	13,809,529
Fines	1,937,741	495,161
Gain on disposal of assets	714,628	90,636
Government grants and subsidies	341,138,488	293,361,741
Interest received - consumers	19,925,640	18,256,310
Interest received - investment	1,765,792	1,238,360
Licences and permits	2,336,519	2,307,245
Other income	965,539	1,805,692
Property rates	36,324,852	29,131,077
Rental income	820,797	784,644
Service charges	38,851,587	30,706,540
	453,935,153	**391,986,935**

The amount included in revenue arising from exchanges of goods or services are as follows:

Gain on disposal of assets	714,628	90,636
Interest received - investment	1,765,792	1,238,360
Interest received - consumers	19,925,640	18,256,310
Licences and permits	2,336,519	2,307,245
Óther income	965,539	1,805,692
Rental of facilities and equipment	820,797	784,644
Service charges	38,851,587	30,706,540
	65,380,502	**55,189,427**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	36,324,852	29,131,077
Transfer revenue		
Government grants and subsidies	341,138,488	293,361,741
Donations	9,153,570	13,809,529
Fines	1,937,741	495,161

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Revenue (continued)

	388,554,651	**336,797,508**

19. Service charges

Sale of electricity	22,418,335	16,286,890
Sale of water	5,535,763	4,905,024
Sewerage and sanitation charges	5,646,949	5,007,999
Refuse removal	5,250,540	4,506,627
	38,851,587	**30,706,540**

The increase in electricity sales is due to split meters installed and the Revenue Enhancement Team focuses on Government and Businesses to ensure that their accounts are collected as soon as possible

20. Rental income

Rental of facilities	820,797	784,644

21. Interest received - consumers

Interest - consumers	19,925,640	18,256,310

22. Interest received - investments

Unlisted Investments at amortised cost	1,765,792	1,238,360
	-	-
	1,765,792	1,238,360

23. Licence and permits

Licences	1,272,287	1,495,221
Traffic	1,064,232	808,907
Business applications	-	3,117
	2,336,519	**2,307,245**

24. Other income

Building plan fees	195,413	263,538
Burial fees	72,737	71,800
Certificate clearance	8,157	10,294
Commission received	42,220	-
Connection services	156,480	114,934
Insurance claims	1,063,197	519,253
Fire brigade fees	38,277	26,710
Other income	(348,569)	(428,618)
Sale of stands	48,098	700,255
Sundry income	107,733	215,109
Tempering of meters	53,142	110,223
Tender deposits	243,282	292,829
	1,680,167	**1,896,327**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

25. Property rates

Rates received

Residential	9,914,742	6,679,351
Commercial	26,410,110	22,451,726
	36,324,852	**29,131,077**

Valuations

Residential	729,927,800	729,418,800
Commercial	131,058,375	115,055,500
State	303,391,400	143,476,400
Municipal	8,251,370	8,251,370
Agriculture	1,293,547,500	1,293,547,500
Other	285,015,900	285,015,900
	2,751,192,345	**2,574,765,470**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2012. The first supplementary was implemented on 1 May 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The valuations were performed by an independent valuer, Sechele property developers and Valuers are not connected to the municipality.

Interim valuations performed in the current year.

The new general valuation will be implemented on 01 July 2016.

26. Government grants and subsidies

Please also refer note 13.

Municipal Systems Improvements Grant	934,000	890,000
Equitable Share	188,970,000	169,365,000
	189,904,000	170,255,000
Capital grants		
Gert Sibande District Municipality	850,000	-
Department of Water and Forestry Affairs	15,000,000	12,614,473
Expanded Public Works Program	4,139,019	3,785,000
Department of Energy	10,400,000	11,068,835
Finance Management Grant	1,233,781	1,550,000
LG SETA	-	146,889
Municipal Infrastructure Grant	119,611,689	93,941,141
	151,234,488	123,106,338
	341,138,488	**293,361,338**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Please refer to note 15.

27. Donations

Donations	9,153,570	13,809,529

Gert Sibande District Municipalitu donated infrastructure assets amounting to R9 153 570 during the financial year.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. Fines

Traffic fines	1,937,741	495,161

The implementation of IGRAP 1 on Traffic Fines has been effected in the 2014 financial period.

29. Employee related costs

Basic	70,971,301	63,936,528
Bonus	5,335,222	4,809,053
Medical aid	5,530,287	5,030,299
UIF	635,275	599,983
Bargaining council	34,280	31,068
SDL	928,594	834,053
Leave pay accrual	489,831	1,777,804
Pension Fund	13,472,482	12,016,097
Provident fund	244,597	185,296
Travel allowances	6,434,746	5,372,802
Overtime payments	6,190,296	5,506,415
Acting allowances	1,315,159	1,752,703
Housing benefits and allowances	796,300	719,994
Actuarial loss/(gain)	824,723	(278,554)
Standby allowances	2,095,560	1,933,407
Telephone allowances	4,800	4,800
Interest cost on acturarial valuations	1,814,000	795,000
Service cost on acturarial valuations	14,000	882,000
	117,131,453	**105,908,748**

Remuneration of Municipal Manager: Mpila VN

Annual remuneration	856,490	795,865
Travel allowance	84,000	84,421
Contributions to UIF, medical and pension funds	242,657	228,140
	1,183,147	**1,108,426**

Remuneration of Chief Finance Officer: Nhlabathi MJ

Annual remuneration	700,805	647,431
Travel allowance	144,000	144,805
Contributions to UIF, medical and pension funds	59,589	55,424
	904,394	**847,660**

Remuneration of Director: Technical Services: Modimogale MD

Annual remuneration	730,251	648,600
Travel allowance	114,000	144,000
Contributions to UIF, medical and pension funds	60,166	54,255
	904,417	**846,855**

Remuneration of Director: Corporate services: Mndebele SF

Annual remuneration	509,544	622,772
Travel allowance	65,000	79,134
Contributions to UIF, medical and pension funds	121,224	145,195
Leave payout	225,505	-
	921,273	**847,101**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

29. Employee related costs (continued)

Mr SF Mndebele's contract ended effective from the 30 October 2014, however he was reappointed on the 05 January 2015.

Remuneration of Director: Corporate Services: Shabangu JW

Annual remuneration	67,710	-
Travel allowance	18,154	-
Acting allowance	50,418	-
Contributions to UIF, medical and pension funds	21,909	-
	158,191	**-**

Mr JW Shabangu was appointed as the Acting Director - Corporate Services for period of November and December 2015 as the position was vacant from the 30 October 2014 to 05 January 2015

Remuneration of Director: Public Safety: Makgopa KB

Annual remuneration	656,870	613,615
Travel allowance	52,728	52,728
Contributions to UIF, medical and pension funds	193,917	179,690
	903,515	**846,033**

Remuneration of Director: Community Services: Mkhwanazi ZF

Annual remuneration	719,870	667,458
Travel allowance	117,600	117,600
Acting allowance	26,642	-
Contributions to UIF, medical and pension funds	67,220	61,824
	931,332	**846,034**

Remuneration of Director: Planning and Economic Development: Lukhele TA

Annual remuneration	761,746	709,640
Travel allowance	60,000	60,000
Contributions to UIF, medical and pension funds	82,740	77,302
	904,486	**846,942**

30. Remuneration of councillors

Executive mayor	743,472	702,564
Speaker	598,991	566,280
Chief Whip	562,879	532,157
Mayoral committee members	1,702,343	1,596,608
Councillors	10,505,118	9,952,044
	14,112,803	**13,349,653**

Figures in Rand	2015	2014

30. Remuneration of councillors (continued)

In-kind benefits

The Executive mayor is provided with a vehicle, driver, secretary, manager and personal assistant at the cost of the Council.

The Chief whip is provided with a secretary and personal assistant

The Speaker is provided with secretarial support, a manager and personal assistant

All the full time Mayoral committee members are provided with one secretary.

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

Remuneration of Employees:

The remuneration of the employees and section 57 managers are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

The directors of the municipality receive a re-imbursive cellphone allowance limited to R800 per month (for the municipal manager - limited to R1 000).

Remuneration of Councillors:

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution

Executive Mayor	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Shiba BP	447,465	179,624	20,868	89,471	6,045	743,473

Speaker	Basic	Travel allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Nkosi SM	350,403	143,699	20,868	79,126	4,895	598,991

Chief Whip	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Nkosi DP	352,267	134,718	20,868	50,478	4,548	562,879

Mayoral Committee	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mngomezulu MW	321,332	139,257	20,868	81,333	4,654	567,444
Mnisi NM	337,756	139,257	20,868	64,952	4,617	567,450
Thabethe QG	332,944	139,257	20,868	69,751	4,628	567,448
	992,032	**417,771**	**62,604**	**216,036**	**13,899**	**1,702,342**

2015 Councillors	Annual remuneration	Travel allowance	Cellphone allowance	Pension and Medical Aid	SDL	Total
Cindi NR	140,907	53,887	20,868	20,191	1,945	237,798
Dludlu ZM	140,907	53,887	20,868	20,191	1,945	237,798
Hlatswayo MG	104,554	37,196	14,329	6,929	1,447	164,455

30. Remuneration of councillors (continued)

Lubede EJ	140,907	53,887	20,868	20,191	1,945	237,798
Maduna ME	111,041	53,887	20,868	49,979	2,012	237,787
Makene J	164,234	62,793	20,868	23,564	2,231	273,690
Makhubelo NV	140,906	53,887	20,868	20,191	1,945	237,797
Malaza STQ	140,575	53,887	20,868	20,191	1,945	237,466
Masuku BM	140,906	53,887	20,868	20,191	1,945	237,797
Masuku LL	35,144	13,472	-	5,272	582	54,470
Mbhele JS	140,906	53,887	20,868	20,191	1,945	237,797
Mdhluli NI	121,583	53,887	20,868	39,465	1,988	237,791
Mhlanga PP	140,907	53,887	20,868	20,191	1,945	237,798
Mkhabele EB	140,906	53,887	20,868	20,191	1,945	237,797
Mnisi N	164,234	62,793	20,868	23,564	2,231	273,690
Motaung RM	35,144	13,472	-	5,272	582	54,470
Motha JT	88,412	33,891	13,912	13,262	1,228	150,705
Motha TW	140,906	53,887	20,868	20,191	1,945	237,797
Mthombeni SF	132,690	53,887	20,868	28,372	1,962	237,779
Neethling ML	161,661	53,887	20,868	-	2,256	238,672
Ngubeni A	140,907	53,887	20,868	20,191	1,945	237,798
Nkabinde NJ	120,701	53,887	20,868	40,344	1,990	237,790
Nkosi AD	140,906	53,887	20,868	20,191	1,945	237,797
Nkosi FE	140,907	53,887	20,868	20,191	1,945	237,798
Nkosi GJ	140,907	53,887	20,868	20,191	1,945	237,798
Nkosi JS	140,906	53,887	20,868	20,191	1,945	237,797
Nkosi MH	140,575	53,887	20,868	20,191	1,945	237,466
Nkosi MJ	140,906	53,887	20,868	20,191	1,945	237,797
Nkosi NM	140,907	53,887	20,868	20,191	1,945	237,798
Nkosi SJ	164,234	62,793	20,868	23,564	2,231	273,690
Nkosi SZ	164,234	62,793	20,868	23,564	2,231	273,690
Nkosi VL	120,212	53,887	20,868	40,831	1,991	237,789
Ntuli FJ	140,906	53,887	20,868	20,191	1,945	237,797
Phakathi FDM	140,906	53,887	20,868	20,191	1,945	237,797
Shabangu LD	162,042	53,887	20,868	-	2,256	239,053
Shabangu VS	71,517	29,654	5,217	17,448	1,018	124,854
Sikhakhane NB	140,906	53,887	20,868	20,191	1,945	237,797
Simelani JD	140,906	53,887	20,868	20,191	1,945	237,797
Soko JP	107,444	53,887	20,868	53,967	2,025	238,191
Steenkamp ML	140,906	53,887	20,868	20,191	1,945	237,797
Thomo NG	140,906	53,887	20,868	20,191	1,945	237,797
Vilakazi J	77,360	29,654	12,173	11,604	1,075	131,866
Vilakazi RG	250,657	95,799	20,868	35,192	3,298	405,814
Vilakazi VV	140,575	53,887	20,868	20,191	1,945	237,466
Zulu TW	140,575	53,887	20,868	20,191	1,945	237,466
Zwane TE	140,575	53,887	20,868	20,191	1,945	237,466
	6,159,913	**2,390,355**	**880,351**	**987,350**	**87,149**	**10,505,118**

2014 Executive Mayor	Basic	Travel allowance	Cellphone allowance	Pension and Medical Aid	SDL	Total
Shiba BP	421,535	169,457	20,868	84,992	5,712	702,564
Subtotal	421,535	169,457	20,868	84,992	5,712	702,564
	421,535	**169,457**	**20,868**	**84,992**	**5,712**	**702,564**

Speaker	Basic	Travel allowance	Cellphone allowance	Pension and Medical Aid	SDL	Total
Nkosi SM	331,475	135,565	20,868	73,748	4,624	566,280
Subtotal	331,475	135,565	20,868	73,748	4,624	566,280
	331,475	**135,565**	**20,868**	**73,748**	**4,624**	**566,280**

Figures in Rand	2015	2014

30. Remuneration of councillors (continued)

Chief Whip	**Basic**	**Travel allowance**	**Cellphone allowance**	**Pension and Medical Aid**	**SDL**	**Total**
Nkosi DP	331,546	127,092	20,868	48,350	4,300	532,156
Subtotal	331,546	127,092	20,868	48,350	4,300	532,156
	331,546	**127,092**	**20,868**	**48,350**	**4,300**	**532,156**

Mayoral Committee	**Basic**	**Travel allowance**	**Cellphone allowance**	**Pension and Medical aid**	**SDL**	**Total**
Mngomezulu MW	302,979	127,092	20,868	76,917	4,366	532,222
Mnisi NM	318,039	127,092	20,868	61,857	4,332	532,188
Thabethe QG	313,559	127,092	20,868	66,337	4,342	532,198
Subtotal	934,577	381,276	62,604	205,111	13,040	1,596,608
	934,577	**381,276**	**62,604**	**205,111**	**13,040**	**1,596,608**

30. Remuneration of councillors (continued)

2014 Councillors	Basic	Travel allowance	Cellphone allowance	Pension and medical aid	SDL	Total
Cindi NR	132,618	50,837	20,868	19,340	1,845	225,508
Dludlu ZM	132,618	50,837	20,868	19,340	1,845	225,508
Lubede EJ	132,618	50,837	20,868	19,340	1,845	225,508
McGinn HG	88,412	33,891	13,912	12,709	1,231	150,155
Maduna ME	112,671	50,837	20,868	39,287	1,891	225,554
Makene J	132,618	50,837	20,868	19,340	1,845	225,508
Makhubelo NV	132,618	50,837	20,868	19,340	1,845	225,508
Malaza STQ	132,618	50,837	20,868	19,340	1,845	225,508
Masuku BM	132,618	50,837	20,868	19,340	1,845	225,508
Mbhele JS	132,618	50,837	20,868	19,340	1,845	225,508
Mdhluli NI	115,022	50,837	20,868	37,326	1,891	225,944
Mhlanga PP	132,618	50,837	20,868	19,340	1,845	225,508
Mkhabela EB	132,618	50,837	20,868	19,340	1,845	225,508
Mnisi N	132,618	50,837	20,868	19,340	1,845	225,508
Motha TW	132,618	50,837	20,868	19,340	1,845	225,508
Motha JT	132,618	50,837	20,868	19,340	1,845	225,508
Mthombeni SF	132,618	50,837	20,868	19,340	1,845	225,508
Neethling NE	50,837	16,946	6,956	-	714	75,453
Ngubeni A	132,618	50,837	20,868	19,340	1,845	225,508
Nkabinde NJ	114,344	50,837	20,868	37,614	1,887	225,550
Nkosi AD	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi FE	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi GJ	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi JS	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi MH	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi MJ	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi NM	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi SJ	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi SZ	132,618	50,837	20,868	19,340	1,845	225,508
Nkosi VL	113,923	50,837	20,868	38,035	1,888	225,551
Ntuli FJ	132,618	50,837	20,868	19,340	1,845	225,508
Phakathi FDM	132,618	50,837	20,868	19,340	4,081	227,744
Shabangu VS	286,976	118,620	20,868	67,340	1,845	495,649
Shabangu LD	139,802	46,601	19,129	-	1,962	207,494
Sikhakhane NB	132,618	50,837	20,868	19,340	1,845	225,508
Simelani JD	132,618	50,837	20,868	19,340	1,863	225,526
Soko JP	124,411	50,837	20,868	27,547	1,845	225,508
Steenkamp ML	132,618	50,837	20,868	19,340	1,845	225,508
Thomo NG	132,618	50,837	20,868	19,340	1,845	225,508
Vilakazi J	132,618	50,837	20,868	19,340	1,845	225,508
Vilakazi RG	132,618	50,837	20,868	19,340	1,845	225,508
Vilakazi VV	126,371	50,837	20,868	25,587	1,860	225,523
Zwane TE	132,618	50,837	20,868	19,340	1,845	225,508
Zulu TW	132,618	50,837	20,868	19,340	1,845	225,508
	5,781,789	**2,249,537**	**895,585**	**943,015**	**82,008**	**9,952,044**

31. Depreciation

	2015	2014
Property, plant and equipment	664,030	664,029
Infrastructure	31,895,669	28,686,484
Community	1,880,887	1,499,059
Landfill site	727,478	727,478
Other property, plant and equipment	1,795,033	2,658,611
	36,963,097	**34,235,661**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

32. Finance costs

Provisions	9,772,807	271,246
Trade and other payables	5,062,674	159,290
Finance leases	19,680	331,176
	14,855,161	**761,712**

33. Rehabilitation costs

Ekulindeni	3,768,704	4,996,802

34. Debt impairment

Debt impairment	32,270,976	22,652,531
Bad debts written off	-	7,029,408
	32,270,976	**29,681,939**

35. Repairs and maintenance

Office, furniture, equipment and tools	1,597,171	821,876
Infrastructure assets	12,160,441	10,866,077
	13,757,612	**11,687,953**

36. Bulk purchases

Electricity	54,096,805	34,135,895
Water	73,915	146,280
	54,170,720	**34,282,175**

Electricity distribution losses are based on units purchased per invoices received from Eskom and units sold per prepaid reports and debtors system. It was determind to be R17 252 387 (2014: R19 601 658) and 23 559 407.35 units (2014: R7 529 202.94) for the financial year ending 30 June 2015.

Water distribution losses are estimated per scheme for the financial year ended 2015. Carolina and Badplaas are approximately 5-10% due to leakages as the plants are closely monitored. For the rest of the plants listed below the losses ranges between 20-30%
- Eerstehoek
- Ekulindeni
- Empuluzi
- Methula
- Lusushwana

Water distribution losses are estimated per scheme for the financial year ended 2014. Carolina and Badplaas are approximately 5-10% due to leakages as the plants are closely monitored. For the rest of the plants listed below the losses ranges between 20-30%
- Eerstehoek
- Ekulindeni
- Empuluzi
- Methula
- Lusushwana

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

37. Contracted services

Consultants	14,209,778	20,710,212
Security services	15,415,101	13,088,844
Operational contractors	5,718,177	5,530,821
Standby-contractors	4,546	892,538
Other contractors	191,300	228,000
	35,538,902	**40,450,415**

38. General expenses

Advertising	237,961	460,191
Audit commitee fees	395,248	418,514
Bank charges	316,738	361,095
Capacity building	150,348	1,760,226
Chemicals	7,086,839	3,987,754
Commission paid	-	19,593
Committee costs	2,698,658	3,588,342
Consumables	505,153	121,545
Convention bureau	1,974,683	1,245,661
Entertainment	65,033	365,902
External audit fees	4,042,916	3,352,177
Fuel and oil	-	45,740
Hostel charges	712,687	1,077,444
Insurance	2,390,762	1,339,435
Interview costs	27,348	92,682
Lease rentals on operating lease	784,597	808,316
Legal expenses	2,066,926	1,805,813
Licence fees	1,585,616	1,531,143
Local economic development	145,750	205,200
Loss on disposal of assets	141,608	112,509
Magazines, books and periodicals	1,239,537	791,891
Motor vehicle expenses	7,398,898	7,705,325
Other expenses	2,326,601	4,034,434
Postage and courier	1,579,211	1,406,515
Printing and stationery	743,036	837,966
Spatial planning	176,410	376,092
Staff welfare	32,350	16,876
Stock adjustment: Water	-	4,593
Subscriptions and publications	713,482	422,344
Telephone and fax	2,146,238	2,380,802
Transport and freight	4,406,499	4,382,976
Training	2,597,350	324,713
Uniforms and overalls	597,770	1,122,751
VIP Toilets not capitalised	1,241,162	11,330,907
	50,527,415	**57,837,467**

39. Fair value adjustments

Investments		
• Investments	53,164	208,562

40. Auditors' remuneration

Fees	4,042,916	3,352,177

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

41. Cash generated from operations

Surplus	80,998,026	57,317,475
Adjustments for:		
Depreciation and amortisation	36,929,976	35,951,157
Loss on sale of assets and liabilities	(714,628)	(90,636)
Fair value adjustments	(53,164)	(208,562)
Finance costs - Finance leases	19,680	331,176
Rehabilitation cost	3,275,313	4,966,802
Allowance for debt impairment	32,270,976	29,681,939
Movements in retirement benefit assets and liabilities	(378,000)	255,000
Movements in provisions	7,081,092	4,749,734
Movement long service awards	2,061,000	220,000
Donations	(9,153,570)	(13,809,529)
Changes in working capital:		
Inventories	333,469	(862,183)
Receivables from exchange transactions	(20,016,784)	(38,031,165)
Receivables from non-exchange transactions	(34,117,490)	(16,476,852)
Payables from exchange transactions	70,539,529	30,958,080
VAT	(4,027,439)	329,234
Unspent conditional grants and receipts	(35,843,488)	39,406,057
Operating leases	(5,680)	(237,620)
Movement in 2013 due to prior period errors	-	394,238
	129,198,818	**134,844,345**

42. Commitments

Authorised capital expenditure

Authorised operational expenditure

Already contracted for but not provided for		
• Infrastructure	215,616,597	149,975,734
• Operational capital	25,590,524	12,468,779
	241,207,121	**162,444,513**

This committed expenditure relates to infrastructure and community assets and will be financed by retained surplus and extended funding.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

43. Contingencies

Litigations in the process against the Municipality relating to civil claims include the following:		
Grand Valley Estates (Pty) Ltd	26,680,000	10,000,000
Lebea & Maduna	1,114,433	1,200,000
Germiston West CC	150,000	500,000
Bigen Africa	-	5,000,000
Gelani Properties	-	200,000
Embuleni Swazi Traditional Council	-	50,000
IFJ Properties	-	300,000
JM Mathebula	350,000	100,000
Christina Mathlala	-	1,500,000
Lerato Masilo	137,813	-
Slindile Mabuyakhulu	300,000	-
Sobek Engineering	5,693,769	-
	34,426,015	**18,850,000**

Grand Valley Estates (Pty) Ltd:
This claim stems from the dispute over the farms around Badplaas. The plaintiffs are claiming loss of future income and goodwill while on the other hand the farms are a subject of claim in the Land Claims commission. The Municipality is cited as party for failure to comply with various forms of legislations. The summons has been served to the Municipality on 6 July 2010. The probability of success in this matter is less than 50%. The potential liability estimated at R26 680 000.

Lebea and Manduna Conslting Engineering:
In this matter plaintiff issued summons against the Municipality for a claim in the amount of R1 114 433 of which the plaintiff alleges to be due to it for services rendered to the Municipality. The probability of success in this matter is less than 50%.

Germiston West CC:
On this matter order was granted against the Municipality to take steps against the first respondent (Cambridge Dlamini) and other occupiers of the property for an interdict to stop the building activities on the property and to proceed with the eviction of the occupiers on the property.

JM Mathebula
The matter emanated from the claim that was brought by Mr. Mathebula against the municipality after electricity disconnection at his business premises and as a result he alleges he has suffered a financial loss. The probability of the claim being successful is less than 50%. The potential liability is estimated at R350 000.

Lerato Masilo:
The action against the Municipality is for damages in the sum of R137 813 The plaintiff alleges that on19 April 2014 the municipality failed to maintain the Elukwatini main road and as a result her car drove into a large pot hole and was severely damaged.

Slindile Mabuyakhulu:
In this matter, Slindile Mabuyakhulu is demanding R300 000 for damages emanating from a disciplinary hearing. The Municipality is disputing the claim as unfounded and invalid. The probability of success in this matter is less than 50%.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

44. Related parties

Relationships	
Accounting Officer	Refer to note 29
Key management	Refer to note 32
Executive Mayor	Refer to note 33
Speaker	Refer to note 33
Chief Whip	Refer to note 33
Mayoral Committee	Refer to note 33
Councillors	Refer to note 33

No transactions were entered into with related parties to the municipalitues and close familu members during the year.

45. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Cash and cash equivalents	3,932,975	18,634,055
Receivables from exchange transactions	43,241,142	32,449,749
Receivables from non-exchange transactions	68,460,073	57,138,990
Investments	3,085,281	2,910,485

46. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

47. Fruitless and wasteful expenditure

Opening balance	2,762,810	894,472
Eskom - interest	3,708,025	561,006
Auditor General of South Africa	165,322	13,177
Trade and other payables - interest	-	5,745
Department of Labour	-	59,706
SARS	1,138,746	1,185,487
Telkom	5,478	1,495
MCPF	-	166
SALAPF	4,679	41,556
NFMW	491	-
Sanlam	2,773	-
	7,788,324	**2,762,810**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

47. Fruitless and wasteful expenditure (continued)

The total fruitless and wasteful expenditure was referred to council for further investigation.

48. Irregular expenditure

	2015	2014
Opening balance	139,883,766	80,701,085
Add: Irregular expenditure - current year	57,831,755	59,182,681
	197,715,521	**139,883,766**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Advert for less that the prescribed period	None	31,051,463
Bid adjudication committee not complying with Regulation 29(2)	None	15,131,035
Evaluated bids using incorrect preference point system	None	4,880,656
		51,063,154

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

	2015	2014
Opening balance	25,373	116,255
Current year fees	68,609	56,640
Amount paid - current year	(62,928)	(31,267)
Amount paid - previous years	(25,373)	(116,255)
	5,682	**25,373**

Audit fees

	2015	2014
Opening balance	2,166,948	2,807,275
Current year fees	2,489,913	2,649,186
Amount paid - current year	(1,935,432)	(3,289,513)
	2,721,429	**2,166,948**

PAYE and UIF

	2015	2014
Opening balance	12,347,603	918,231
Current year	15,534,720	12,947,586
Amount paid - current year	(14,039,875)	(599,983)
Amount paid - previous years	(12,347,603)	(918,231)
	1,494,845	**12,347,603**

Pension and medical aid deductions

	2015	2014
Opening balance	(10,231,074)	1,892,394
Current year fees	31,785,445	8,884,598
Amount paid - current year	(29,115,879)	(19,115,672)
Amount received / (paid) - previous years	10,231,074	(1,892,394)
	2,669,566	**(10,231,074)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	5,265,342	1,237,903

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Shabangu, LD	616	54,501	55,117
Malaza, STQ	-	1,970	1,970
	616	**56,471**	**57,087**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Shabangu, LD	9,000	39,119	48,119
Malaza, STQ	-	2,681	2,681
	9,000	**41,800**	**50,800**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by the way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer ay dispense with official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Council. The expenses incurred as listed hereunder have been condoned.

Deviation		
Sole service provide	169,865	472,462
Emergency	671,635	2,585,455
Impractical	-	536,538
	841,500	**3,594,455**

50. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

50. Budget differences (continued)

Revenue from exchange transations:

51.1 Service charges
Less revenue were collected from the electricity due to tampering however the revenue collected was more that the previous financial year

51.2 Interest received
Increase in debtors resulted to higher interest earned on outstanding debtors

51.3 Licence and permits
Higher demand for the licence and permits

51.4 Gain on disposal of old assets
Redundant assets that were removed from the assets register

51.5 Government grants and subsidies
Capital conditional grants(MIG,WSOS,INEP) recognised as revenue after the conditions of the grants are met

51.6 Donations
Donated assets are normally not budgeted for, assets donated by the Gert Sibande District Municipality

51.7 Fines
The implementation of iGrap resluted to higher revenue generated based on the number of tickets issued

51 8 Employee related costs
Overtime,Stand allowance, increase in medical aid, actual gains & losses acting allowances and posts that were upgraded

51.9 Remuneration of councillors
Vacant positions

51.10 Depreciation and amortisation
Provision of depreciation in terms of GRAP based on useful lifes of assets

51.11 Rehabilitation costs
Ekulindeni dumping was not accounted for in the previous years.

51.12 Finance costs
Interest paid on outstanding invoices and provisions for rehabilitation

51.13 Allowance for debt impairment
Increase in debtors resulted to increase in provision in terms GRAP

51.14 Repairs and maintenance
Old infrastracture that was transferred to the municipality by the water affairs

51.15 Bulk purchases
Demand in peak seasons and exceeding NMD

51.16 Contracted services
Debt collectors that are appointed on risk basis

51.17 General expenses
The municipality implemeneted cost curtailments staretegies to focus on basic service services

51.18 Inventories
The electricity and water inventory that was bought in bulk

51.19 Invesments
Cash not needed immediately was invested in short term investment

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

50. Budget differences (continued)

51.20 Operatng lease asset
Management oversight during the budget process

51.21 Receivables from non-exchange transactions
The receivables from both the exchange and non exchange were budgeted under one line item on the statement of financial position

51.22 Receivables from exchange transactions
The receivables increased on monthly basis municipality unable to fully implement the Credit Control and Debt Collection Policy in all areas

51.23 Cash and cash equivalents
The municipality anticipated to have surplus cash most the conditional grant at year end were fully spent

51.24 Property, plant and equipment
Additional MIG allocation received in March 2015

51.25 Payables from exchange transactions
Cash flow challenges affected the payment of service providers

51.26 Unspent conditional grants and receipts
The municipality ancticipated that all condtional grants will be spent at year end

51.27 Provisions
Amount based on the assumptions made by the actuaries and the provision for the accumuated leave

51.28 Employee benefit obligation
Amount based on the assumptions made by the actuaries

51.29 Long service award accrual
Provision for long service awards based on the Actuaries calculations

51.30 Rental income
Due to operating leases that were reviewed

51.31 Other income
Due to insurance claim received in the current year

51.32 Interest received - Investments
Surplus cash not needed immediately in invested to short term investment. R21.9m from equitable share was withheld by National Treasury.

51.33 Property rates
This was based on estimated revenue to be generated and anticipated development within municipal jurisidiction

51.34 Investment property
It was an oversight from the municipality that the investment property will increase in the property will increase in the 2014/15 financial year.

51.35 Investments
A budget of R2.5m was made on the budget under current assets. The split between current and non-current will be in the adjustment for the 2015/16 financial year. The reason for the variation between the budget and actual on current assets is that the amount on the budget was understated.

51.36 Finance lease obligation (current and non-current portion)
It was an oversight from management during the budget process.

51.37 Revaluation reserve
It was an oversightfrom the municipality that the revaluation reserve will increase.

Figures in Rand	2015	2014

50. Budget differences (continued)

51.38 Accumulated surplus
The accumulated surplus is from the total revenue and expenditure from the financial year however not all the anticipated revenue was generated.

51. VAT receivable

VAT	5,265,342	1,237,903

VAT is payable on the cash basis.VAT is paid over to SARS only once payment is received from receivables.
All VAT returns were submitted thoughout the year.

52. Prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of compartives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

52. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2014	Balance as previously reported	Change in accounting policy (note 55)	Prior period error	Reclassified (note x)	Restated balance
Revenue					
Service charges	30,706,540	-	-	-	30,706,540
Rental income	784,644	-	-	-	784,644
Interest received - consumers	18,256,310	-	-	-	18,256,310
Interest received - investment	1,238,360	-	-	-	1,238,360
Licences and permits (exchange)	2,307,245	-	-	-	2,307,245
Other income	1,805,693	-	-	-	1,805,693
Gain on disposal of assets	90,635	-	-	-	90,635
Property rates	29,131,077	-	-	-	29,131,077
Government grants and subisidies	293,361,741	-	-	-	293,361,741
Donations	13,809,529	-	-	-	13,809,529
Fines	495,161	-	-	-	495,161
Total revenue	391,986,935	-	-	-	391,986,935
Expenditure					
Employee related costs	105,908,750	-	-	-	105,908,750
Remuneration of councillors	13,349,653	-	-	-	13,349,653
Rehabilitation costs	2,351,868	-	2,614,934	-	4,966,802
Allowance for debt impairment	29,681,939	-	-	-	29,681,939
Depreciation and amortisation	60,885,989	-	(25,288,194)	-	35,597,795
Finance costs	761,712	-	-	-	761,712
Repairs and maintenance	11,687,954	-	-	-	11,687,954
Bulk purchases	34,282,175	-	-	-	34,282,175
Contracted services	40,450,415	-	-	-	40,450,415
General expenses	57,837,467	-	-	-	57,837,467
Total expenditure	357,197,922	-	(22,673,260)	-	334,524,662
Operating surplus / (deficit)	35,367,222	-	22,496,579	-	57,285,593
Fair value adjustments	208,562	-	-	-	208,562
Surplus / (deficit) for the year	35,575,784	-	22,496,579	-	57,494,155

52. Prior period errors (continued)

Statement of Financial Position as at 30 June 2014	Balance as previously reported	Change in accounting policy (note 55)	Prior period error	Reclassified (note x)	Restated balance
Assets					
Current Assets					
Cash and cash equivalents	18,634,055	-	-	-	18,634,055
Receivables from exchange transactions	32,449,749	-	-	-	32,449,749
Receivables from non-exchange transactions	57,138,990	-	-	-	57,138,990
Inventories	2,577,294	-	-	-	2,577,294
Investments	2,910,485	-	-	-	2,910,485
Operating lease asset	261,864	-	-	-	261,864
VAT receivable	-	-	-	1,237,903	1,237,903
Total current assets	113,972,437	-	-	1,237,903	115,210,340
Non-current Assets					
Investments	270,963	-	-	-	270,963
Investment property	19,142,500	-	-	-	19,142,500
Property, plant and equipment	788,370,996	2,738,000	25,828,564	-	816,937,560
Non-current assets held for sale	2,738,000	(2,738,000)	-	-	-
Total non-current assets	810,522,459	-	25,828,564	-	836,351,023
Liabilities					
Current Liabilities					
Payables from exchange transactions	(112,748,099)	-	(2,610,712)	(2,571,879)	(117,930,690)
VAT payable	(1,333,974)	-	-	1,333,974	-
Unspent conditional grants	(40,791,880)	-	-	-	(40,791,880)
Finance lease obligation	(396,919)	-	-	-	(396,919)
Provisions	(9,035,187)	-	-	-	(9,035,187)
Total current liabilities	(164,306,059)	-	(2,610,712)	(1,237,905)	(168,154,676)
Non-current Liabilities					
Finance lease obligation	(228,789)	-	-	-	(228,789)
Employee benefit obligation	(11,243,000)	-	-	-	(11,243,000)
Provisions	(12,381,881)	-	(353,868)	-	(12,735,749)
Long service awards	(4,031,000)	-	-	-	(4,031,000)
Total non-current liabilities	(16,412,881)	-	(353,868)	-	(28,238,538)
Net Assets					
Surplus / (deficit) for the year	(708,257,404)	-	(24,174,735)	-	(732,432,139)
Reserves	(24,046,763)	-	-	-	(24,046,763)
Total net assets	(732,304,167)	-	(24,174,735)	-	(756,478,902)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

52. Prior period errors (continued)

1. Closure cost liability

Ekulindeni landfill site operating without licences and in the previous year it was not provided for as closure cost liability.

Closure cost liability		
Increase in provision for landfill sites	-	(2,610,712)
Decrease in accumulated surplus	-	2,610,712
	-	**-**

2. Provision for landfill sites understated

The provision for landfill site was under stated in the previous year

Provision for landfill sites		
Increase in provision for landfill sites	-	353,868
Decrease in landfill sites	-	(353,868)
	-	**-**

Other property, plant and equipment		
Increase in property, plant and equipment	-	1,150,886
Increase in accumulated surplus	-	(1,150,886)
	-	**-**

4. Landfill site

Depreciation was incorrectly calculated in 2014 financial year.

Landfill site		
Decrease in accumulated surplus	-	491,983
Decrease in property, plant and equipment	-	(491,983)
	-	**-**

Infrastructure asset		
Decrease in infrastructure asset	-	(2,007,736)
Increase in infrastructure work in progress	-	2,007,736
	-	**-**

53. Unauthorised expenditure

Unauthorised expenditure - current year	11,382,245	-
Unauthorised expenditure - prior year, identified in current year	40,920,390	-
	52,302,635	**-**

54. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards. All changes resulting form the application of these Standards of GRAP were accounted for retrospectively

Discontinued operations
The standard for non-current assets held for sale was replaced by discontinued operations, which became effective during the 2015 financial year.

A decision was made by the municipality to sell land with a carrying amount of R2 380 000.

The land was advertised as for sale on 10 February 2015 and there are currently no further approvals required for the sale to take place. The municpality expects the transfer of land to be finalised within 12 months.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2014 is disclosed in note 52 - Prior period errors.